LAS VEGAS SUN

JUN 1 4 1964

ALLEN-SCOTT REPORT

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Senate Banking Committee Schedules Hearings Into Monetary Fund Loan to President Nasser

WASHINGTON — The potent Senate Banking Committee is preparing to take a close critical look into the peculiar circumstances surrounding the International Monetary Fund's sudden ladling out of a $40 million loan to President Gamal Nasser.

Sen. Joseph Clark, D-Pa., head of the International Finance Subcommittee, is setting the stage for such a scrutiny at the behest of members of Congress.

Spearheading this demand is Sen. Ernest Gruening, D-Alaska, who has been vigorously tangling with Small Business Administrator Eugene Foley over his insistence on a 3 per cent interest rate on loans to businessmen, home owners and others who suffered heavy losses in the devastating Alaskan earthquake.

On the $40 million loan Nasser wangled from the International Monetary Fund, the Egyptian dictator pays only one per cent interest.

The Disaster Loan Act expressly stipulates that interest shall not exceed 3 per cent. Up to that maximum, Foley has full authorty to fix any rate. Despite a storm of protests, he is adamantly insisting that disaster-stricken Alaskans pay the top 3 per cent.

Caustically assailing this "double standard" in favor of foreigners as against native-born Americans, Gruening is pressing for a thorough airing of the big loan to Nasser on a number of grounds:

The loan was rushed through the Monetary Fund at U. S. insistence even though it meant "breaking the long-followed rule that 'a nation can draw upon its borrowing quota only if it adopts austere internal financial policies to strengthen its currency.' " Also this was done "even though it meant alienating our allies in Europe and in Latin America against which the fund's rule has been strictly enforced."

The loan was put over by the State Department over the sharp objection of the Treasury, "which insisted that the rule be followed, but was overruled by the State Department continuing its policy of appeasing Nasser."

As a result of the Egyptian dictator's costly military intervention in Yemen (estimated at $500,000 a day), his foreign currency reserves have sunk to a low of $15 million from $42 million less than a year ago. In 1957 this crucial hard currency reserve totaled $277 million. The extraordinary IMF loan obviously was for the purpose of bailing Nasser out of a grave financial crisis.

ALSO HELPING KHRUSHCHEV

In a letter to Senator Clark urging a thorough probe of the $40 million loan, Gruening raised the question of whether Nasser intends using some of it to pay part of the immense debts he owes Russia for planes, tanks and other weapons.

Citing European reports that certain of these Soviet obligations are coming due, Gruening pointed out the IMF loan would be very timely for both Nasser and Khrushchev.

A number of other pertinent questions were propounded by Gruening:

Why the great haste in putting through this $40 million loan; what promises were made by the U. S. to induce other IMF members to approve the loan; does the loan mean the fund is substituting "politics rather than sound monetary principles" in such transactions; will this new practice be applied to Latin American countries which have been rigidly required to institute drastic anti-inflationary measures to obtain IMF loans; are the undercover pressure tactics the State Department resorted to in putting through the Nasser loan being used in other international agencies, such as the World Bank, International Finance Corporation and Inter-American Development Bank?

"It is a never-ending source of amazement to an increasing number of Americans," said Gruening, "to see the lengths to which our State Department will go in efforts to appease Nasser while, supported by U. S. tax dollars, he continues to upset the uneasy peace in the Middle East and to wage aggressive war in Yemen.

"Today, he has some 40,000 troops there, an increase from 28,000 earlier this year. So far, this war, for which he has been armed and supplied by Russia, has cost Nasser more than $200 million. So while the U. S., through its foreign aid program, has been pouring dollars into Egypt to help its poor, sick and needy, Nasser has been squandering that help in aggressive war and in building up an immense arsenal of missiles, jet planes, submarines and tanks to wage aggressive war on his Middle East neighbors.

"Under these depressing circumstances, it is truly ironic that the Monetary Fund, under State Department pressure, grants him a $40 million loan at one per cent interest, while the Small Business Administration demands that disaster-stricken Americans pay 3 per cent interest on loans from their own government. How anyone can justify such a double standard is beyond me."

Continued

RED ARMS BUILD-UP

Iraq is being armed with a large number of latest-model Soviet tanks, and hundreds of Russian technicians are training Iraqi crews to operate these powerful weapons. U. S. and British authorities are aware of this big armor build-up, but have no details because they are rigidly limited in traveling in Iraq. U. S. and British diplomatic and military officials are confned to a small area around their embassies. To ensure they don't go anywhere, manned roadblocks have been set up to enforce this drastic restriction. . . . Close friends of Federal Power Commissioner Charles Ross are saying the Vermont Republican will quit if he is not reappointed when his term expires late this month. Ross, who has made an outstanding reputation as a consumer champion, is being strongly opposed by utility and natural gas interests. But he has vigorous bipartisan backing. Vermont's Democratic Gov. Philip Hoff and veteran Republican Sen. George Aiken have personally asked President Johnson to rename Ross. So far he has given no hint of what he will do. Under the law, Ross can retain his seat until a successor is appointed and confirmed by the Senate. There have been intimations the President plans to do nothing about Ross until after the November election. But the power commissioner's friends are saying he won't stay on under such circumstances; that if not reappointed when his term expires, he will quit.

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